Proposed Capital Programme 2023/24 – Impacts of stopping projects

Project	Contractual Assessment	Cost Impact	Outcomes/Benefits Impact
1. Eastern Busway Alliance – currently contracted $650 million (re TOC1)	i. AT can terminate 'for convenience', in accord with notice periods in the agreement. A detailed compensation regime sets out the costs that would arise to AT (in the form of payment to Non Owner Participants (NOPs). ii. AT can suspend the project, with NOPs compensated for holding costs, and adjust Target Outturn Cost (TOC) when restarted. Limited timeframe applies before termination.	i. Calculation to be agreed between parties and assessed by independent party if required, subject to timing, approximately up to $30 million (c. 5% contract value) which includes limb 3 payment. Excludes AT costs, in particular land related costs (direct, sunk). ii. Six month delay impact (to resolve budget issues and negotiate revised position) estimate of $50 million. If terminated after this, around $80 million plus land costs / AT costs.	Major transport implications stopping the progression of East Auckland dedicated PT corridor. Will increase emissions and congestion (due to ongoing passenger vehicle use). Creates stranded assets (EB1 – prior AT investment of $200 million). Consequential impact on housing investment plans (stops high speed rapid transport system in East).
2. Eastern Busway Alliance – in progress (TOC2)	i. Can halt or pause this element of the project at any time at no additional cost beyond planning and procurement costs to date. However, current costs of development are being met by AT including land. These costs become sunk unless this part of the project is restarted. If project element restarts, additional Professional Services costs and escalation apply. Halting will increase TOC1 costs, as initial establishment costs were to be recovered across the entire project (possibly including overhead / margins / risk / profit).	i. 12 month delay estimate of $20-$40 million due to inflation, cost creep demobilisation and restart. ii. Costs of stopping this element and not re-starting estimated at $20 million (plus land costs) added to TOC1 $30 million or in addition to TOC1 compensation calculated in section 1 above.	Creates stranded assets (EB2) if that is continued, and disjointed network. Similar transport disbenefits as set out above. Overall Project Benefits assessment significantly impacted (may be negative BCR) – could impact on co-funding for TOC1.
Rolling Stock (EMUs)	i. No termination by Convenience. ii. AT could default under the contract with compensation payable in form of all costs reasonably incurred to date (not paid) payable to the manufacturer (as calculated/assessed/verified).	i. Termination at 30 June 2023 estimate of $50-$100 million direct and indirect costs. ii. Wider economic cost of having fully developed infrastructure (via City Rail Link Ltd (CRLL)) with no trains to provide services and Day 1 CRLL stranded assets (those projects linked to full CRLL).	Significant negative transport outcomes for central city as CRLL investment significantly impacted.

Project	Contractual Assessment	Cost Impact	Outcomes/Benefits Impact
Wider AT Capital Programmes			
NZS 3910 work programme – including cycling programme	i. Difficult to halt lower value in progress projects to save funds. Rather, anticipate that future projects would be cancelled. ii. There are three to four projects of over $20 million in progress. Cancelling these mid-flight/halting would not appear to be economic. Note: AT's NZS 3910 contracts generally do not allow for termination by convenience with a compensation regime. However, AT's Physical Works Panel arrangement, typically utilised for lower value work projects, enables AT to withdraw work from the market at no cost.	i. Limited opportunity to cancel or suspend projects as minimal savings impact and impractical to cancel jobs in progress. ii. Estimated cost to AT of $20 million to redirect c. $40 million of funding. Waka Kotahi co-funding loss could further increase.	Limited opportunities to make financial savings other than cancelling future projects (likely smaller value ones) which have not started. Would impact delivery of local board projects.
Road Corridor Maintenance Contracts (of $230 million per annum)	i. Can reduce workflow to Contractors as all eight contracts are subject to budget. If so, impacts are that more overhead/margin needs to be recovered in the work undertaken, making works more expensive to AT (but could be offset by additional Recovery works).	i. For every $50 million of work held back, increased costs to AT of around $5 million on other contracts	Partnering and collaborative framework anticipated additional work, not work reduction.
Ferry Programme Vessels 2 - 5	i. Potential to halt this investment (c. $80 million) noting vessel 2 has been awarded, which would free up some capital (minimal though as largely CATR and EECA funded) but would free up project resources.	i. Significant downstream services cost as existing fleet failures will worsen. Very negative climate impacts. ii. Opex savings from shifting to an ownership model would not be realised.	Reputational risk with customers. Political impact of not utilising CATR awarded funds.